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A Parent Trap? New Data Offers More Dire View of College Debt

In a separate loan program, more parents are loading up on debt, often in greater amounts than their children.

By Kevin Carey

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The growth of Parent PLUS borrowing means that the student debt crisis facing the young is moving backward in time to snare their parents. Gabriela Bhaskar for The New York Times

If you have children nearing college age, you've probably heard a lot about student loans. Americans owe $1.7 trillion in college debt, an amount that grows every year. And while colleges differ greatly in their propensity to load up families with debt, it has been hard to identify the biggest offenders — until now.

Colleges themselves provide parents with little information about prices and borrowing. Published tuition rates are really just a starting point for negotiation, like the sticker price on a new car. The financial aid offers that colleges send to admitted students are often confusing, making it hard to distinguish scholarships from loans. And those offers are usually good only for freshman year — prices as well as loan and scholarship amounts can change afterward.

The U.S. Department of Education has been filling this information gap with a website called the College Scorecard. It allows students and parents to look up a college, or a group of colleges, to see how many students take out federal loans and how much they borrow. At American University in Washington, for example, 55 percent of undergraduates borrow federal loans that typically range from $20,500 to $26,800 upon graduation.

But this omits crucial information: How much do *parents* borrow for their children's education? Data available this month for the first time on the College Scorecard shows that at some colleges, the answer is: a lot, often much more than students themselves. If we think of student and parent debt together as "family debt," the loan picture

at many colleges looks much more dire.

The federal government sets a limit of $31,000 on how much undergraduates who are financially dependent on their parents can borrow. The loan cap is meant to reduce young adults' exposure to burdensome debt.

But there's a loophole, in the form of a separate program called Parent PLUS loans. It lets parents of undergraduates borrow money directly from the federal government. Crucially, there is no cap on the size of Parent PLUS loans, other than whatever colleges choose to charge for tuition, books, room and board, or personal expenses. As a result, parent loans are often much larger than student loans. (And, of course, some parents help their children pay off student loans.)

The main Scorecard page for American University shows that 79 percent of students graduate on time and go on to jobs that pay between $27,000 and $74,000, largely depending on what students choose to study. (Computer science majors make twice as much as journalism majors.)

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To find the new information on Parent PLUS borrowing, scroll down and click on "Financial Aid and Debt." Then — and here's the tricky part — click on the down arrow to the right of "Federal Student Loans," which will display a drop-down menu with a second option: "Parent PLUS Loans."

Select that and you'll see that 10 percent to 15 percent of American University parents take out PLUS loans that typically grow to over $64,000 by graduation day. That's about triple the median federal undergraduate loan at American. These amounts, moreover, don't include loans taken from lenders other than the federal government, including student and parent loans from private banks, home equity loans and more.

The College Scorecard also allows users to select a group of universities for comparison. (Scroll back to the top and click "Add to compare school.") You can create a comparison list via a round green icon (a building with Roman columns) at the upper right, where the shopping cart icon is often found on a commerce website. Comparing American University with nearby private universities like Georgetown and George Washington reveals that parents at those universities are less likely to take out PLUS loans, and that they borrow similar or smaller amounts.

The volume of Parent PLUS loans is growing quickly, from 14 percent of loans for undergraduates in 2013 to over 25 percent last year. The destruction of wealth during the Great Recession and stagnant middle-class recovery left many families with less money to pay for college. PLUS loans allow colleges to fill in the gap between what parents have and what colleges want to charge. Parents now owe around $100 billion in outstanding PLUS loans.

The list of colleges where sizable numbers of parents borrow unusually large Parent PLUS amounts includes for-profit companies like Academy of Art University, where the median parent borrowers take out about $72,000 in loans, in addition to what their children borrow. Perhaps not coincidentally, Academy of Art is also on the list of colleges that produce very high levels of graduate school debt.

But not all colleges that require a great deal of parent borrowing are private or for-profit. The University of Vermont and Auburn University are public universities where significant numbers of parents take out PLUS loans, typically more than $45,000 by graduation. That's in large part because a majority of undergraduates at both universities come from out of state, and pay tuition comparable to what is charged by private universities.

As with any loan, the way we think about Parent PLUS depends, in part, on what people get in return, and whether they're able to repay the loans. Some parent borrowers have very little money. The data on how much low-income families borrow is not part of the College Scorecard. We have to dig into public data sets released by the Department of Education to uncover that.

For example, in 2018 and 2019, 1,726 students from households with income low enough to qualify for the federal Pell grant left St. John's University in New York with an education that was financed in part by Parent PLUS loans. The median loan was $39,872. That translates into a monthly loan payment of more than $400 — a very large amount for households that often earn less than $20,000 a year.

Low-income parents qualified for these loans nonetheless because underwriting standards for PLUS loans are lax: Parents are ineligible for PLUS loans if they have a bad credit history, like a defaulted loan or late bill payment, but not if they have *no* credit history. An unemployed parent with $0 in the bank could borrow $100,000 or more in PLUS loans, even with no credible means of paying it back.

Many parents take that risk and make that sacrifice to give their children a shot at a college degree. But at some colleges, graduation is far from guaranteed. At the nationally known Savannah College of Art and Design in Georgia, over 2,000 parents took out PLUS loans for students who left the university in 2018 and 2019. Nearly half of those students finished without a degree, accruing a median debt for their parents of $42,385. For students who did graduate, the average debt among parents who took out PLUS loans was $91,960, among the highest amounts at any college in the country.

Parents pay an upfront "origination fee" of about 4.25 percent on PLUS loans, which means paying a college $50,000 requires borrowing $52,125. The interest rate is currently 5.3 percent. And while parents legally owe the money, some students head to college knowing that their parents expect them to be responsible for repaying the Parent PLUS loans in addition to what they borrow themselves.

The growth of Parent PLUS borrowing means that the student debt crisis that engulfed millennials is increasingly moving backward in time to snare parents with far fewer working years left to earn money for loan payments. The federal government can and does garnish Social Security checks for older parents who default on Parent PLUS loans.

And as older millennials raise children, they may end up taking out new college loans before paying back their own. The College Scorecard data can at least give parents and students a better sense of which institutions will put them at greatest risk.

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